

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 474 - HB 787

March 26, 2015

**SUMMARY OF ORIGINAL BILL:** Defines “townhouse” in statute as a single family dwelling unit constructed in a group of three or more attached units that extends from foundation to roof, not more than three stories in height, with separate means of egress, and an open space or public way on at least two sides. Requires any townhouse be considered a separate building with independent exterior walls and shall be separated by a two-hour fire resistance-rated wall assembly. Requires a townhouse be built according to local and statewide adopted building codes; provided, a fire sprinkler system shall not be required for a townhouse.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

Other Fiscal Impact – The provisions of the bill could impact the construction costs of townhouses and also the homeowners’ insurance premiums and claims. While the exact impact cannot be reasonably determined, it is assumed to be positive to business.

**SUMMARY OF AMENDMENT (004568):** Deletes Section 1 of the original bill. Defines “townhouse” in statute as a single family dwelling unit constructed in a group of three or more attached units that extends from foundation to roof, not more than three stories in height, with separate means of egress, and an open space or public way on at least two sides. Requires any townhouse be considered a separate building with independent exterior walls and shall be separated by a two-hour fire resistance-rated wall assembly. Requires a townhouse be built according to local and statewide adopted building codes; provided, a fire sprinkler system shall not be required for a townhouse unless local governments by ordinance adopt mandatory sprinkler requirements for townhouses.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- The State Fire Marshal’s Office is required to establish building construction standards. Such standards are required to afford a reasonable degree of safety to life and property

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from fire and hazards incident to the design, construction, alteration and repair of buildings or structures.

- The International Residential Code (IRC) is the most widely utilized residential building standard adopted by local jurisdictions and the state office in Tennessee. The IRC requires that all one and two family dwellings, including all townhouses, have a sprinkler system installed; however, pursuant to Tenn. Code Ann. § 68-120-101(a)(8)(A), sprinklers are not currently required for one-family and two-family dwellings, but local governments may adopt more stringent standards.
- This legislation would have the effect of exempting townhouses from any state or local law which requires sprinkler systems.
- The provisions of the bill will not significantly affect the current regulatory procedures of state or local governments.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- It is unknown how many townhouses would be built without sprinkler systems as a result of this legislation. Any townhomes built without sprinklers will result in a decrease in building costs for construction companies which build townhouses. The exact impact cannot be determined but is reasonably estimated to be positive.
- Based on information from the state Fire Marshal's Office, insurance claims could increase by individuals that hold fire insurance policies on their property within a townhome that does not have a sprinkler. This would increase homeowners' insurance premiums. While an exact impact cannot be determined, it is assumed that insurance companies will increase premiums to an amount that sufficiently covers any increase in claims; therefore, the net impact is not significant.
- Due to numerous unknown factors, any effect from this legislation is unable to be quantified.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/jdb